



House of Representatives

General Assembly

File No. 318

February Session, 2006

Substitute House Bill No. 5712

House of Representatives, April 3, 2006

The Committee on Planning and Development reported through REP. WALLACE of the 109th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT AUTHORIZING THE ESTABLISHMENT OF NUTMEG ZONES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2006*) (a) The Commissioner of
2 Economic and Community Development, upon request of a
3 municipality, shall designate a nutmeg zone pilot program in an area
4 of such municipality. To be eligible for the pilot program a
5 municipality shall have (1) a population of more than twenty-five
6 thousand but less than fifty thousand, (2) correctional facilities, and (3)
7 at least one million square feet used for growing bedding plants,
8 bounded by a portion of railroad tracks and a river. Any municipality
9 may apply for such pilot program notwithstanding the percentage of
10 families in the municipality with incomes at or below federal poverty
11 levels.

12 (b) The amount of property taxes due under chapter 203 of the
13 general statutes for a facility that is acquired, constructed, substantially
14 renovated or expanded in a nutmeg zone, on or after the effective date

15 of this section, shall be reduced by ten per cent in each of the five full
 16 assessment years following the assessment year in which the
 17 acquisition, construction, renovation or expansion of the facility is
 18 completed. The state, acting by and in the discretion of the
 19 Commissioner of Economic and Community Development, shall enter
 20 into a contract with the municipality in which the nutmeg zone is
 21 located to make payments in lieu of taxes to the municipality in an
 22 amount equal to ten per cent of the amount that would have been due
 23 except for the provisions of this section. Such payments shall be made
 24 annually for the five assessment years that the taxes due for the facility
 25 are reduced.

26 (c) Any municipality may request the commissioner to designate a
 27 nutmeg zone in such municipality, provided the legislative body of the
 28 municipality has adopted an ordinance that (1) identifies a specific
 29 geographic area of the municipality as such zone, and (2) establishes
 30 criteria for establishment of the zone. The provisions of subsection (b)
 31 of this section shall apply to any such additional nutmeg zone
 32 designated by the commissioner. Any municipality applying for the
 33 designation shall not be required to meet the criteria of subsection (a)
 34 of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2006	New section

PD*Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$
Department of Economic & Community Development	GF - Cost/Revenue Impact	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 07 \$	FY 08 \$
Various Municipalities	Revenue Gain	Potential	Potential

Explanation

The bill establishes two types of nutmeg zones to be administered by the Department of Economic and Community Development (DECD). Any administrative workload increase to the DECD is anticipated to be handled within the normal budgetary resources of the agency.

One type of zone established is a nutmeg zone pilot program in a municipality meeting specific criteria, if that municipality asks the DECD to designate a zone. Currently one municipality (Cheshire) fits the criteria. The bill also permits any town to ask the DECD to designate a zone within the town. There are no criteria for the second type of zone. The designation of this type is up to the discretion of the Commissioner of DECD. It is unclear from the bill if designation as a nutmeg zone pilot program would qualify businesses in the zone for the five year, 10% annual property tax exemption and PILOT payments. Any other designated nutmeg zone would qualify. To the extent that the Commissioner of the DECD approves the designation of other zones, and the PILOT payments are provided, there would be a

revenue increase due to PILOT payments to nutmeg zones and a revenue loss to the state.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sHB 5712*****AN ACT AUTHORIZING THE ESTABLISHMENT OF NUTMEG ZONES.*****SUMMARY:**

This bill establishes two types of “nutmeg zones.” Businesses in one type of zone can receive property tax reductions for acquiring or improving facilities in them.

The first is a nutmeg zone pilot program. A town can ask the Department of Economic and Community Development (DECD) commissioner to designate an area of the town as a nutmeg zone. The commissioner must make the designation if the town has (1) a population between 25,000 and 50,000, (2) correctional facilities, and (3) at least one million square feet devoted to growing bedding plants in a location bounded by railroad tracks and a river. A town can apply regardless of the percentage of its families with incomes below the federal poverty level.

The second type of nutmeg zone is available to all towns. The bill permits any town to ask the commissioner to designate a zone its legislative body identifies in an ordinance that also enacts criteria for establishing the zone. A town applying for this type of nutmeg zone does not have to meet the criteria the bill establishes for the pilot program zone.

Designation as the second type of nutmeg zone explicitly qualifies businesses in it (but not, explicitly, those in a pilot program zone) for a five-year, 10% annual reduction in real and personal property taxes for facilities they acquire, construct, substantially renovate, or expand there after October 1, 2006. The bill requires the state to reimburse nutmeg zone towns for the tax revenue they lose through a payment in

lieu of taxes contract with the DECD commissioner.

EFFECTIVE DATE: October 1, 2006

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 16 Nay 0 (03/17/2006)